DOCUMENT RESUME

ED 142 353 RC 010 029

| | |
|---|---|
| AUTHOR | Ledebur, Larry C. |
| TITLE | Issues in the Economic Development of Nonmetropolitan United States. Economic Development Research Report. |
| INSTITUTION | Economic Development Administration (DOC), Washington, D.C. Office of Economic Research. |
| PUB DATE | Jan 77 |
| NOTE | 33p. |
| EDRS PRICE | MF-$0.83 HC-$2.06 Plus Postage. |
| DESCRIPTORS | Definitions; Economically Disadvantaged; *Economic Development; Employment; Income; Life Style; Migration; *Policy Formation; Political Issues; Population Distribution; Racial Differences; *Rural Areas; Rural Development; Rural Urban Differences; *Social Change; Social Indicators; Tables (Data); *Urban to Rural Migration |
| IDENTIFIERS | Differences; *Nonmetropolitan Areas; *Regional Characteristics; Residential Preferences |

ABSTRACT

Describing issues relative to economic development in nonmetropolitan areas, this document presents narrative and tabular data re: (1) the causal forces behind economic decline in rural America (technology, shifting patterns of demand for goods and services, and changes in life styles and residential preferences); (2) the incidence and indicators of rural poverty (rural-urban differences in low income by race for 1973 and indicators of housing, average family income, education, rural outmigration, and dependence ratios); (3) issues in regional economic development (role of the market; policy orientations re: low incomes and unemployment; place prosperity vs people prosperity or migration encouragement vs regional development; equity vs efficiency or income equity vs economic efficiency; the worst "first" controversy or focus upon regions of greatest poverty vs those of greatest potential); (4) goals of economic development (possible components of a multifaceted scale to gauge economic development: efficiency and the rate of economic growth; per capita income; equity and income distribution; stability of income and employment; environmental quality; and public services access); (5) the changing context of rural economic development (selective statistical evidence in support of the assertion that society and the economy are changing structurally and qualitatively to countermand the dominant urban trend of this century). (JC)

Documents acquired by ERIC include many informal unpublished materials not available from other sources. ERIC makes every effort to obtain the best copy available. Nevertheless, items of marginal reproducibility are often encountered and this affects the quality of the microfiche and hardcopy reproductions ERIC makes available via the ERIC Document Reproduction Service (EDRS). EDRS is not responsible for the quality of the original document. Reproductions supplied by EDRS are the best that can be made from the original.

rec 06-09-77

*Economic Development*
*Research Report*

ED142353

# Issues in the Economic Development of Nonmetropolitan United States

U.S. DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

RC010029

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration

*Economic Development*
*Research Report*

# Issues in the Economic Development of Nonmetropolitan United States

by
**Larry C. Ledebur, Ph. D.**

**Office of Economic Research**
**Economic Development Administration**

**January 1977**

□ This publication was prepared for the Office of Economic Research, Economic Development Administration, U.S. Department of Commerce. The statements, findings, conclusions, recommendations, and other data in this report are solely those of the author and do not necessarily reflect the views of the Economic Development Administration.

# ABOUT THE AUTHOR

Dr. Larry C. Ledebur has been Associate Professor of Economics at Denison University, Granville, Ohio, since 1971, and has served as director of the Denison Program on Learning Through Simulation, and as Dean of Men. In 1975, he became the first visiting scholar to participate in the new resident research program in EDA's Office of Economic Research.

Dr. Ledebur received his B.A. degree in Economics from Austin College, Texas, and his M.S. and Ph.D. degrees from Florida State University. Some of his publications in the areas of urban and regional economic research include:

*Economic Disparity: Problems and Strategy for Black America,* with William L. Henderson, (New York: The Free Press, 1970).

*Urban Economics: Processes and Problems,* with William L. Henderson, (New York: John Wiley & Sons, Inc., 1972).

*A Myth in the Making: The Southern Economic Challenge and Northern Economic Decline,* with Carol L. Jusenius, Economic Development Administration, November 1976.

"The Viable Alternatives for Black Economic Development," with William L. Henderson, *Journal of Public Policy,* Volume 18, Spring 1970.

"Government Incentives for Black Economic Development," with William L. Henderson, *The Review of Social Economy,* December 1969.

# CONTENTS


I. THE ECONOMIC DECLINE OF RURAL AMERICA: The Causal Forces ..... 1

II. RURAL POVERTY: Incidence and Indicators ..... 4

III. ISSUES IN REGIONAL ECONOMIC DEVELOPMENT ..... 10
- A. The Role of the Market ..... 10
- B. The Critique of the Role of the Market in Economic Development ..... 10
- C. Policy Orientations: Low Incomes and Unemployment ..... 12
- D. Place Prosperity Versus People Prosperity ..... 13
- E. Equity Versus Efficiency ..... 14
- F. The "Worst First" Controversy ..... 15

IV. THE GOALS OF ECONOMIC DEVELOPMENT ..... 17
- A. Measuring Development on a Multifaceted Scale ..... 17
- B. Balanced Growth ..... 18

V. THE CHANGING CONTEXT OF RURAL ECONOMIC DEVELOPMENT ..... 20

Rural America is in the process of underdevelopment—retreating relatively and absolutely in labor force, population, capital inflow, commerce, community structure, and income generation from its pinnacle of a half-century ago. Behind the tide of underdevelopment is a set of powerful forces or variables. These forces are created through the biological and mechanical improvements generated by our land-grant colleges and the private sector; through the stage and spatial configuration of economic development in a wealthy country which emphasizes services and other products of human capital and migration to urban or growth centers accordingly; and through changing consumer preferences, cultural orientations, and life styles which draw people to larger population centers . . . .

The problems involved in stemming this tide are complex and tremendous . . . .[1]

---

[1]Earl O. Heady, "New Priorities," *Rural Development: Research Priorities*, (North Central Center for Rural Development, Ames: The Iowa State University Press, 1973), p. 102.

# I. THE ECONOMIC DECLINE OF RURAL AMERICA: The Causal Forces

The economic plight of some sectors of the rural United States is a product primarily of technological change and shifting tastes and demand patterns for material goods, social-consumption commodities, and lifestyles. The combination of these technological and social changes has generated an evolutionary movement in the spatial location of economic activity and population distribution.

Technology assured the economic ascendency of the city. The advent of capital-intensive manufacturing and assembly-line techniques created tremendous economies in large-scale production. As industries grew large, utilizing these new technologies, their average or per unit costs of production decreased. To take advantage of these economies of scale necessitated the concentration at common geographical sites of large supplies of capital and labor, as well as supportive economic activities such as finance and transportation. Cities grew as major concentrations of resources attracted economic activities to these resource bases and to the accessibility of the concentrated markets for their products. In the twentieth century, the city became the focal point of the economic life and dynamics of the country.

As cities grew, they also became the source for many of the social, cultural, entertainment, and recreational opportunities which were desired by much of the Nation's populace. A revolution in lifestyles was under way. Urban values and lifestyles were rapidly replacing the rural value orientations which had predominated in the 18th and 19th centuries.

These two forces, new technology in production and transportation which centralized economic opportunities in the large urban places, and the increasing demand for the social-cultural milieu of the city, generated the very rapid growth of metropolitan areas. This process was greatly accelerated by the labor demand of a war economy during World War II which drew large numbers of migrants from rural areas.

Economic and social opportunities created a strong pull for migration of industry and people to the city. The economic decline of rural areas provided the push. The economic base of most rural areas historically was either farming or natural resource extraction and processing industry. The primacy of either of these industries in the economic base of a region, and a major dependence upon a single industrial activity, often led to economic decline as technology and/or changing demand patterns decreased the need for labor inputs.

The impact of technology and consequent mechanization was, perhaps, most severe in agriculture and mining. Newer capital-intensive technologies in both of these industries resulted in a greatly reduced demand for labor inputs. This impact of technology is most evident in farm employment. Between 1930 and 1974, farm population and farm employment decreased by seventy percent, a net reduction of over twenty-one million people. The impact of technology is demonstrated by the eighteen percent per decade average increase in productivity since 1940. The number of farms decreased by more than fifty percent in this period because of the economies obtained through large-scale farming operations. The result has been excess labor in the agricultural sector, and farm incomes which have lagged behind nonfarm incomes.

The impact of changing demand patterns on rural economies has been more selective. Expenditures for agricultural commodities have increased consistently, but the rate of growth has been slower than both the increase in average income for the Nation and expenditures for nonfarm commodities.[2] A more dramatic example has been the coal industry of the Appalachian region. The demand for coal was undercut by the availability of a cheaper and cleaner fuel, natural gas. As a conse-

[2]The income elasticity of demand for agricultural commodities has been less than one.

**Table 1.—FARM POPULATION AND FARM EMPLOYMENT, SELECTED YEARS, 1930-74**

| Year | Farm population[1] | | Farm employment | |
|---|---|---|---|---|
| | Number (thousands) | Percent change (annual rate)[2] | Number (thousands) | Percent change (annual rate)[2] |
| 1930 | 30,529 | .... | 12,497 | .... |
| 1940 | 30,547 | 0.0 | 10,979 | −1.3 |
| 1950 | 23,048 | −2.8 | 9,926 | −1.0 |
| 1960 | 15,635 | −3.8 | 7,057 | −3.4 |
| 1970 | 9,712 | −4.6 | 4,523 | −4.4 |
| 1974 | 9,264 | −1.2 | 4,294 | −1.3 |

[1]Farm population includes people residing on units officially defined as farms. Since many of these "farms" are little more than rural residences for people attached to urban labor markets, the data overstate the number of people actually engaged in agricultural production.
[2]Annual rate of change from preceding year shown.
*Source:* "Economic Report of the President, 1975," (Washington, D.C.: U.S. Government Printing Office), pp. 167-168.

**Table 2.—FARM OUTPUT AND PRODUCTIVITY, SELECTED YEARS, 1940-71**

(1967=100)

| Category | 1940 | 1950 | 1960 | 1969-71 average |
|---|---|---|---|---|
| Selected inputs: | | | | |
| Labor | 288 | 214 | 143 | 92 |
| Farm real estate | 102 | 104 | 99 | 98 |
| Mechanical power & machinery | 41 | 83 | 95 | 102 |
| Agricultural chemicals[1] | 13 | 30 | 50 | 113 |
| Feed, seed, & livestock purchases | 43 | 64 | 84 | 107 |
| Taxes and interest | 68 | 77 | 87 | 105 |
| Miscellaneous | 84 | 93 | 109 | 106 |
| Total input | 97 | 101 | 98 | 101 |
| Total output | 60 | 74 | 91 | 105 |
| Productivity[2] | 62 | 73 | 93 | 103 |
| Number of Farms | 201 | 179 | 125 | 93 |

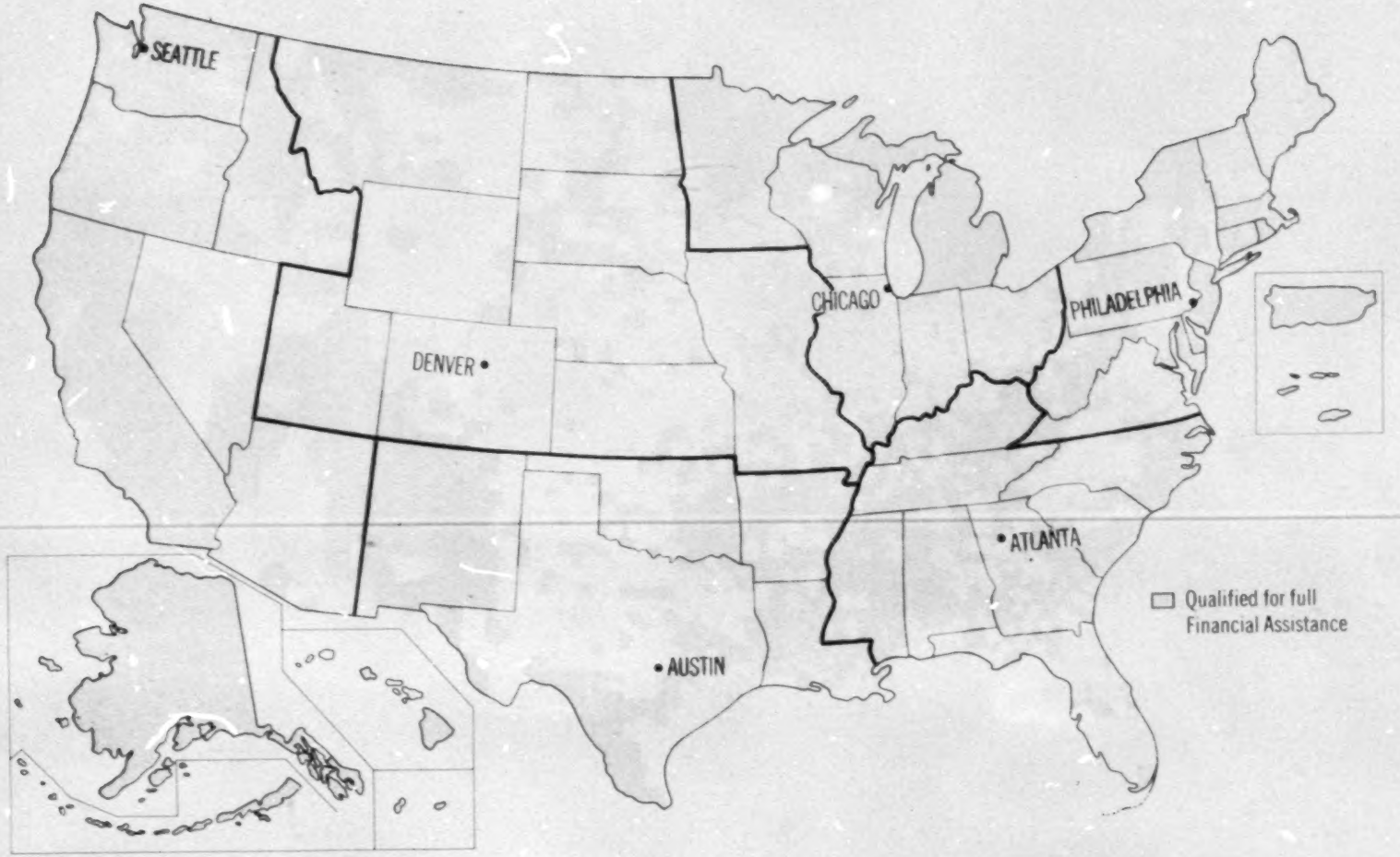
[1]Fertilizer, lime and pesticides.
[2]Farm output per unit of total input.
*Source:* Same as Table 1.

quence, the Appalachian coal industry has undergone a very significant decline, creating extensive economic hardship and a depressed rural economy matched only by some areas of the deep South.

These three factors, technology, shifting patterns of demand for goods and services, and changes in lifestyles and residential preferences, have been the primary underlying causes of urban growth and rural decline. The consequences of these evolutionary changes in the spatial distribution of economic activity and people have been economic underdevelopment, unemployment, and poverty for many regions of rural America.

The Economic Development Administration identifies counties qualified for development assistance by using criteria of substantial and persistent unemployment, low median family income, and high outmigration. The map of EDA qualified areas depicts the pattern of rural underdevelopment in the United States.

**Figure 1**
**EDA Qualified Areas**
**June 30, 1975**




*Source:* 1975 Annual Report of the Economic Development Administration, (Washington, D.C.: U.S. Department of Commerce), p. 18.

# II. RURAL POVERTY: Incidence and Indicators

In the United States, poverty usually is considered a problem of urban areas. In many ways, this is appropriate. Almost three-fourths of the Nation's population now resides in SMSA's, and sixty percent of those living in poverty are in cities. In terms of low-income families and individuals, poverty is more prevalent in cities than rural or nonmetropolitan areas.

However, a second measure of the spatial impact of poverty is "incidence," the percentage of those in a particular category or region with low incomes. For example, the incidence of poverty among nonwhites is much greater than for whites (roughly thirty-five versus ten percent).

Measured in terms of incidence, poverty impacts more heavily on rural areas than cities. The percentage of rural families living in poverty is twice as great as the percentage of poor urban families. The percentage of nonwhite rural families with incomes below the poverty line compared with urban nonwhites is also twice as great.

**Table 3.**

**A. INCIDENCE OF LOW INCOME IN METROPOLITAN AND NONMETROPOLITAN AREAS BY RACE, 1973**

(Percent with low income)

| | United States | | | Metropolitan | | | Nonmetropolitan | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | White | Black | Total | White | Black | Total | White | Black |
| Total | 11.1 | 8.4 | 31.4 | 9.7 | 6.9 | 28.2 | 14.0 | 11.2 | 41.1 |
| Persons in families | 9.7 | 6.9 | 30.8 | 8.4 | 5.6 | 27.7 | 12.3 | 9.5 | 39.6 |
| Unrelated individuals | 25.6 | 23.7 | 37.9 | 22.3 | 20.3 | 32.8 | 35.6 | 32.1 | 62.2 |

**B. PERCENT DISTRIBUTION OF LOW INCOME BY AREA AND RACE, 1973**

| | 1973 | | | 1967 | | |
|---|---|---|---|---|---|---|
| | Total | White | Black | Total | White | Black |
| Metropolitan areas | 59.9 | 55.8 | 67.7 | 49.8 | 48.0 | 54.0 |
| Inside central cities | 37.4 | 28.4 | 55.0 | 31.1 | 25.8 | 43.2 |
| Outside central cities | 22.5 | 27.4 | 12.7 | 18.7 | 22.2 | 10.7 |
| Nonmetropolitan areas | 40.1 | 44.2 | 32.3 | 50.2 | 52.0 | 46.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source:* "Characteristics of the Low Income Population, 1973, Consumer Income," *Current Population Reports*, Series P-60, No. 98, U.S. Bureau of the Census, January 1975.

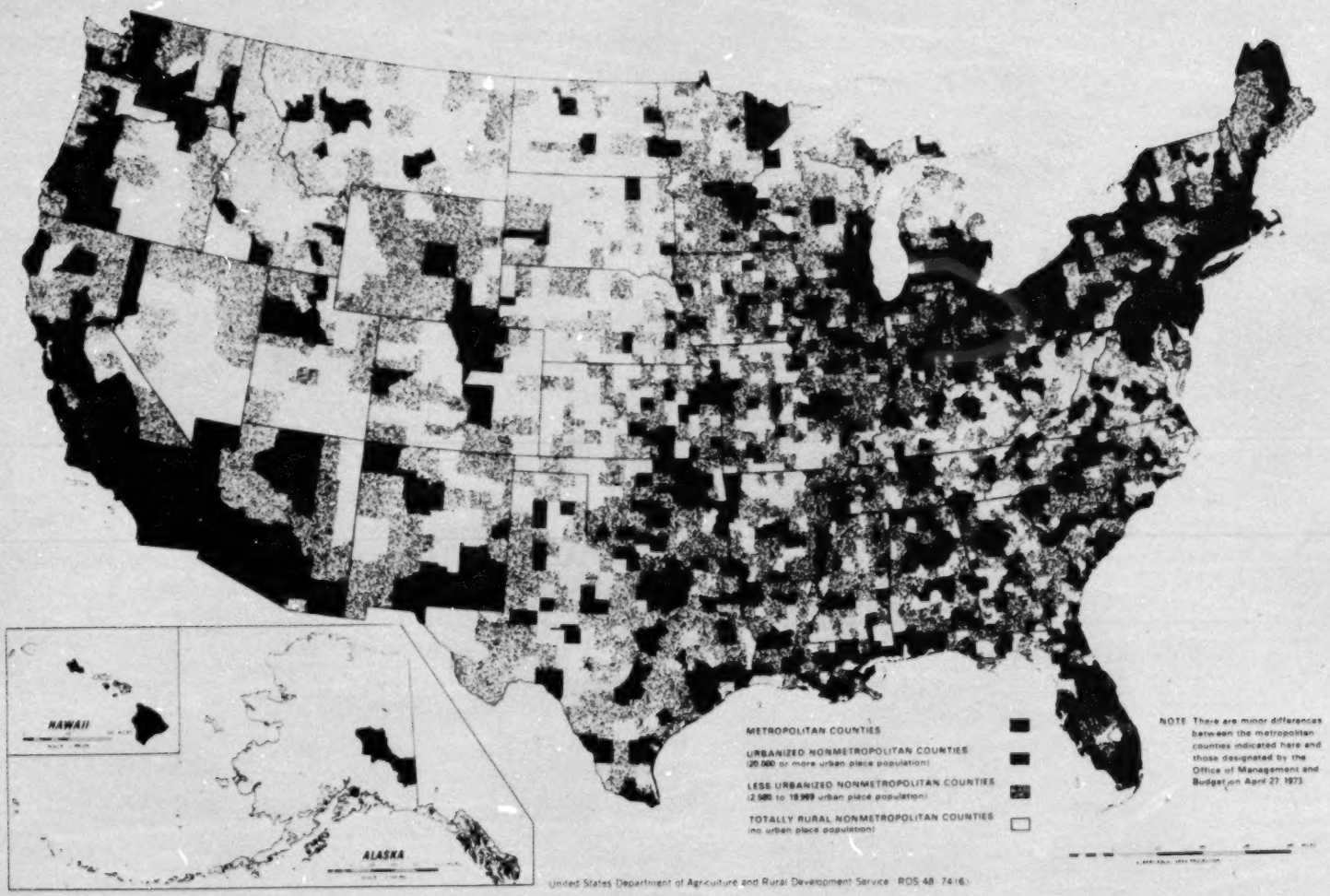
By almost any comparative measure, the incidence and severity of poverty in rural areas is greater, and more chronic, in that the rate of improvement in living standards is lower.

> Housing . . . At the end of the Sixties, eleven percent of the housing of rural whites and fifty-five percent of the housing of rural nonwhites was substandard. The comparable figures for urban housing were six percent for whites and twenty-four percent for nonwhites.
>
> Average family income . . . . The criterion of low income provides a measure of absolute poverty. A measure of relative welfare is median family income. Average family income is lower in nonmetropolitan areas for both whites and nonwhites. The difference in median incomes is greater as the degree of urbanization declines.[1]

[1] Median income is a measure of monetary income only. Economists also speak of psychic income which is satisfaction or pleasure derived from nonmonetary factors related to the quality of life achieved in particular circumstances or environments. For some, the "psychic income" of rural life may be sufficient to offset the difference in monetary income between metropolitan and nonmetropolitan areas.

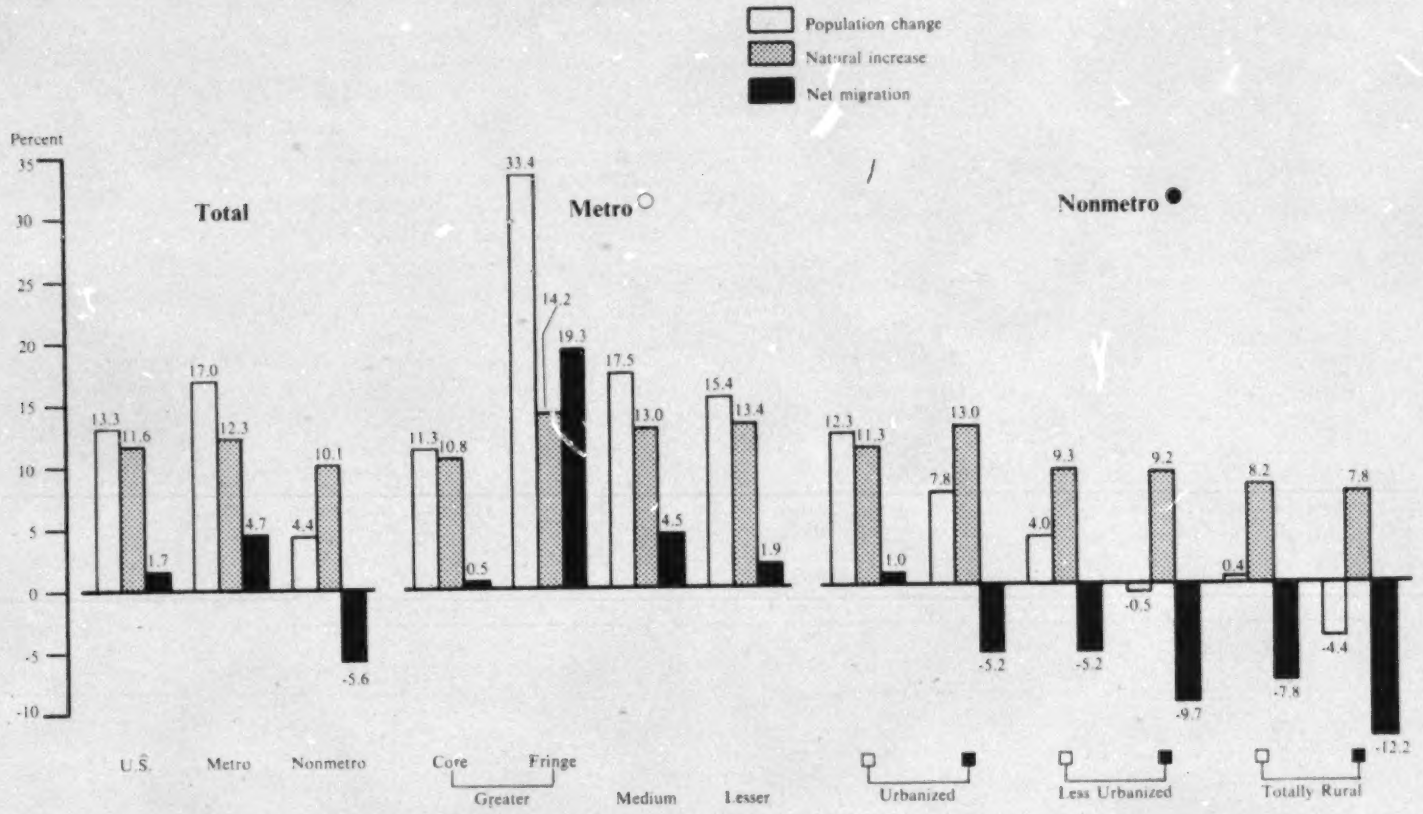
## Figure 2

## Nonmetropolitan Counties, April 1973


HAWAII
ALASKA
METROPOLITAN COUNTIES
URBANIZED NONMETROPOLITAN COUNTIES
(20,000 or more urban place population)
LESS URBANIZED NONMETROPOLITAN COUNTIES
(2,500 to 19,999 urban place population)
TOTALLY RURAL NONMETROPOLITAN COUNTIES
(no urban place population)
NOTE: There are minor differences between the metropolitan counties indicated here and those designated by the Office of Management and Budget on April 27, 1973.
United States Department of Agriculture and Rural Development Service ROS 48 7416

*Source:* "Social and Economic Characteristics of the Population in Metro and Nonmetro Counties, 1970," Fred K. Hines, David L. Brown and John K. Zimmer, Economic Research Service, U.S. Department of Agriculture, Agricultural Economic Report, No. 272.

## Figure 3
## Components of Population Change in Metro and Nonmetro Counties, 1960-70




○ Greater Metro: SMSA's of 1 million people or more;
Medium Metro: SMSA's of 250,000-999,999 people;
Lesser Metro: SMSA's of 50,000-249,999 people.

SMSA — Standard Metropolitan Statistical Area

● Urbanized Nonmetro — 20,000 or more urban residents;
Less Urbanized Nonmetro — 2,500-19,999 urban residents;
Totally Rural Nonmetro — No urban residents.

Adjacent to an SMSA □ ■ Not adjacent to an SMSA

*Source:* Fred K. Hines, op. cit.

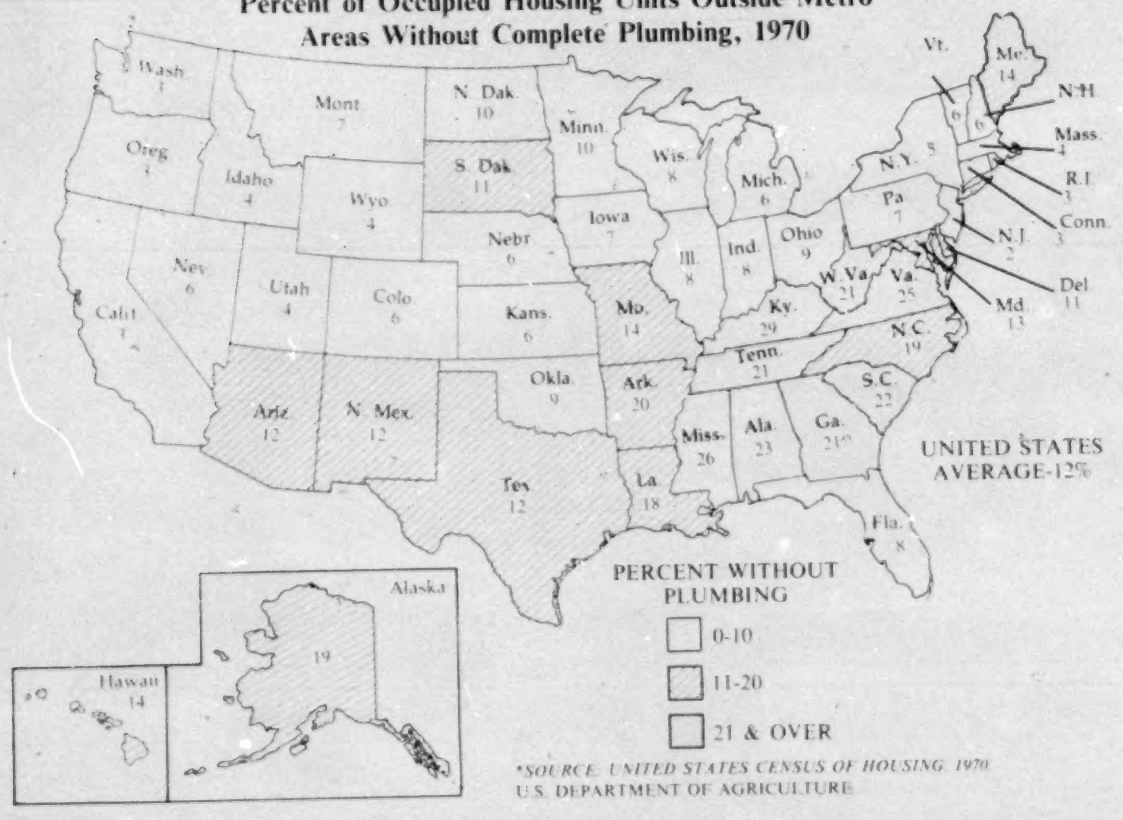
Education . . . . Education provides a rough approximation of human capital and earning ability. Again, urban-rural disparities are evident. The median number of years of school completed declines with the degree of ruralization. The average number of years completed in less urbanized and totally rural areas is less than the twelve years required for a high school diploma.

Rural outmigration . . . . Since the Great Depression, the economic base of many rural areas has declined. Economic opportunities have tended to be concentrated in cities. These disparities in urban rural economic development and employment opportunties have generated a stream of outmigration from nonmetropolitan areas. In the 1960's, the rural sector gained population through natural increases (births minus deaths) because of high fertility rates and declining death rates, and lost population through outmigration. The net increase, however, was primarily due to population growth in areas immediately adjacent to SMSA's. In totally rural areas, natural increases were insufficient to offset outmigration, resulting in a net decrease in population.

Dependence Ratios . . . . Those who migrate from rural areas tend to be young persons separating from the parental family upon entering the labor force, and those who possess education and skills which permit access to urban employment opportunities—in sum, the younger and more productive members of the rural labor force. The consequence for rural areas of this outmigration of the most economically able, and the comparatively high fertility rates, is a higher percentage of children and aged relative to wage earners. This higher dependence ratio in nonmetropolitan areas, characteristic of underdeveloped regions in industrialized countries, is a primary factor in the incidence of low incomes in the nonurbanized sector.

**Figure 4**

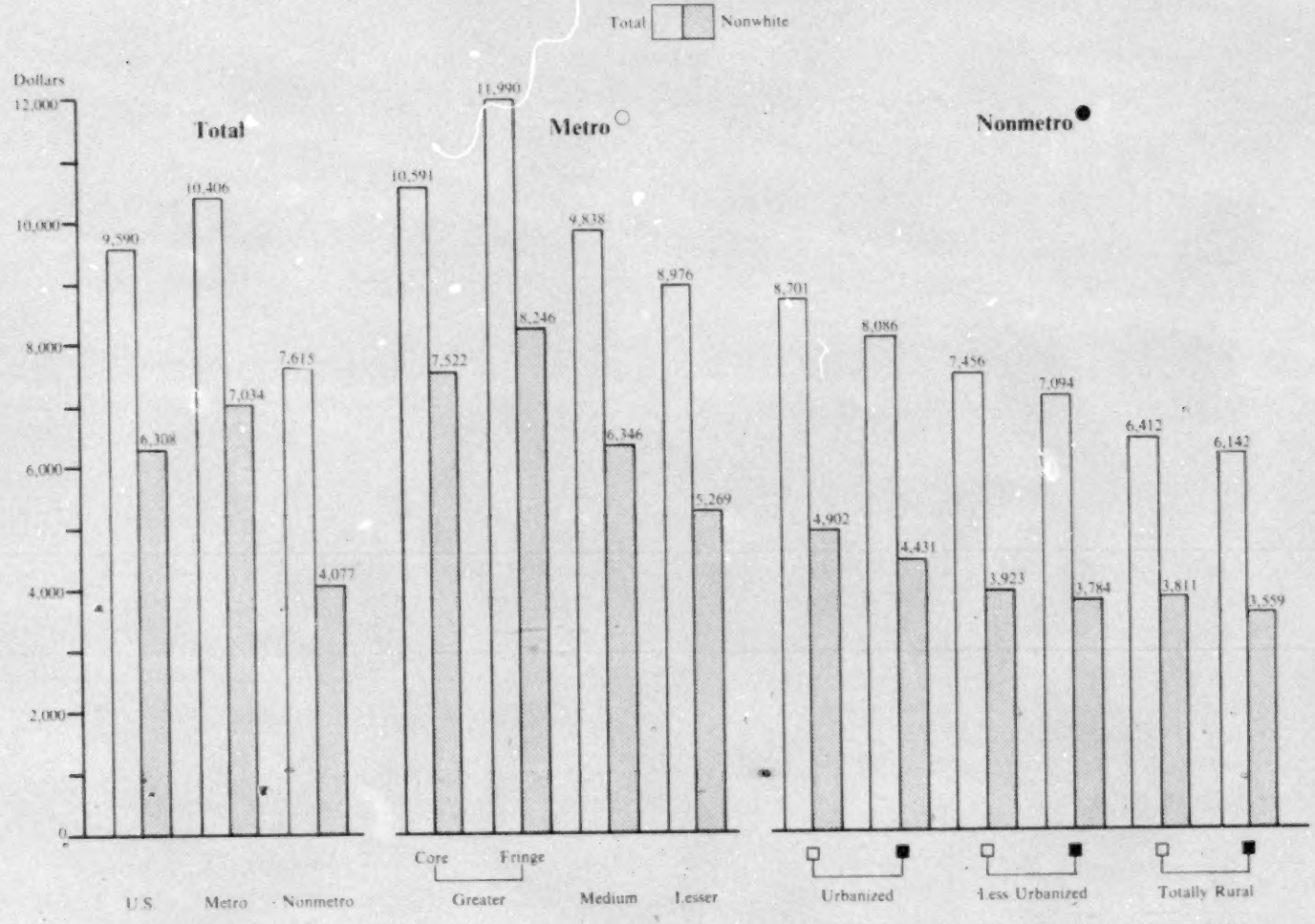
**Percent of Occupied Housing Units Outside Metro Areas Without Complete Plumbing, 1970**




Source: Fred K. Hines, op. cit.

## Figure 5

## Median Family Income in Metro and Nonmetro Counties by Race, 1969




○ Greater Metro: SMSA's of 1 million people or more;
Medium Metro: SMSA's of 250,000-999,999 people;
Lesser Metro: SMSA's of 50,000-249,999 people.

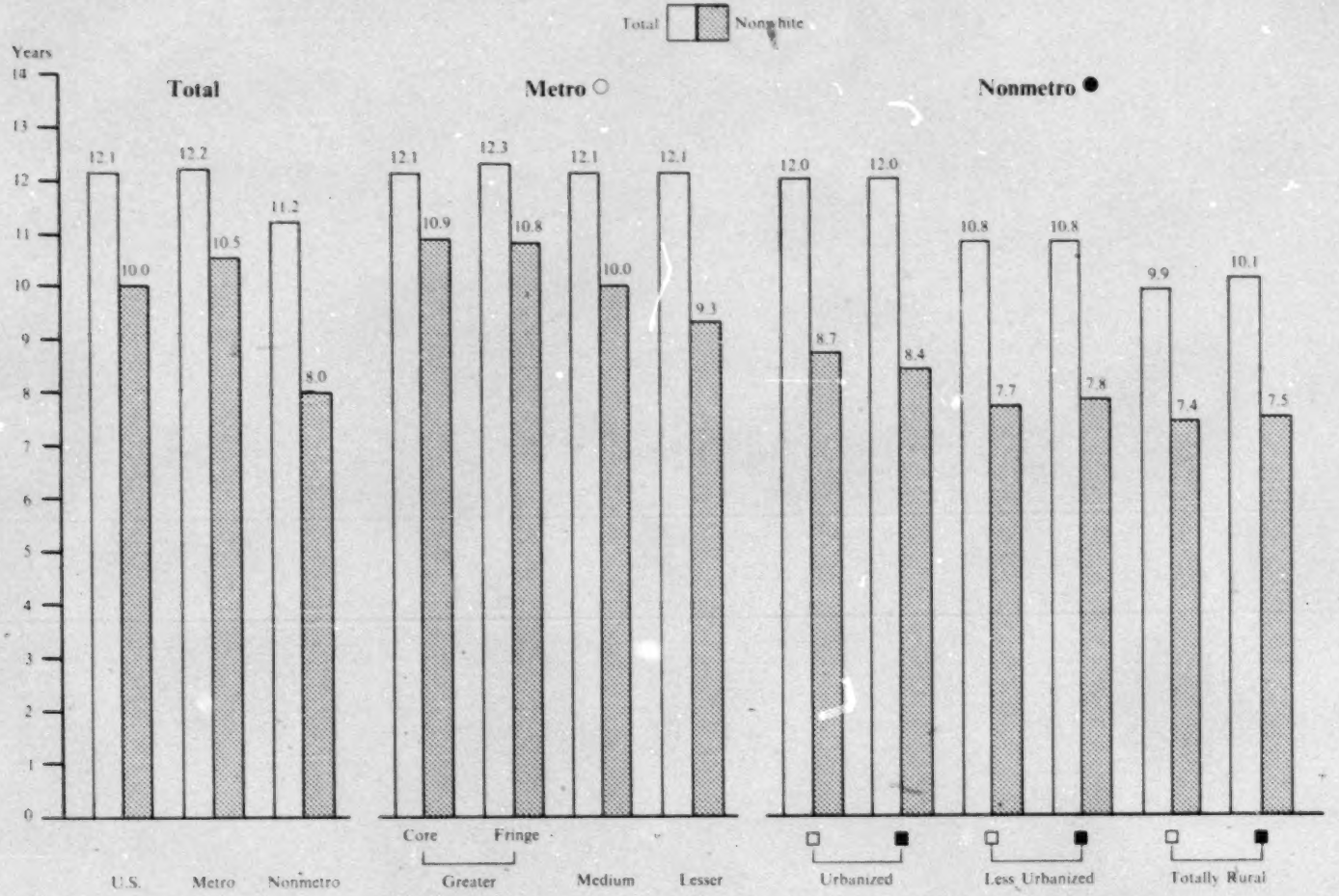
SMSA — Standard Metropolitan Statistical Area

● Urbanized Nonmetro — 20,000 or more urban residents;
Less Urbanized Nonmetro — 2,500-19,999 urban residents;
Totally Rural Nonmetro — No urban residents

Adjacent to an SMSA □ ■ Not adjacent to an SMSA

*Source:* Fred K. Hines, op. cit.

## Figure 6
## Median School Years Completed by Persons 25 Years Old and Over in Metro and Nonmetro Counties, by Race, 1970




○ Greater Metro: SMSA's of 1 million people or more;
Medium Metro: SMSA's of 250,000-999,999 people;
Lesser Metro: SMSA's of 50,000-249,999 people.

SMSA — Standard Metropolitan Statistical Area

● Urbanized Nonmetro — 20,000 or more urban residents;
Less Urbanized Nonmetro — 2,500-19,999 urban residents;
Totally Rural Nonmetro — No urban residents.

Adjacent to an SMSA □ ■ Not adjacent to an SMSA

*Source:* Fred K. Hines, op. cit.

# III. ISSUES IN REGIONAL ECONOMIC DEVELOPMENT

All regions of the United States have not shared in the dynamic economic growth and resulting prosperity experienced by the Nation as a whole since World War II. Regional pockets of economic distress persist in areas characterized by high unemployment, declining job opportunities, low incomes, and high rates of outmigration. The issues in rural economic development are complex and controversial.

## A. The Role of the Market

Foremost among these is the role of competitive market forces in alleviating economic distress. Opponents of national programs to alleviate economic problems in rural areas stress that market forces are effective mechanisms for achieving an optimal distribution of resources and economic growth. They tend to be opposed ideologically to programs which reflect centralized planning, the extension of Federal authority, and interference with private enterprise.

This argument is framed as follows: The operation of the unrestricted economic market will generate forces causing resources, including human labor, to flow into that activity and to that geographical area where they will receive the greatest return or compensation. Resources will receive the greatest return where they are most productive and make the greatest contribution to the value of final output. For labor, this means that workers in regions where wages are low and unemployment high should move or migrate to areas of higher wage rates and greater demand for their services.

This position is the classical argument of the merits of competitive market forces in achieving an optimal distribution of resources and economic activity. The workings of these market mechanisms can be examined by an example of a rural economy based on the extraction of a primary resource such as coal. If the demand for coal declines because of the availability of cheaper and more efficient fuels,regional unemployment and declining incomes result in the short run. In the longer run, two types of adjustments will take place. First, if the competitive disadvantage of the region is not too great, the unemployment and lower resource costs would attract new industries to the profit opportunities created by the relatively less expensive factors of production. Second, if the competitive disadvantage of the region is so great that new investment does not occur, unemployed resources, including labor, will migrate from the declining area to a region of greater economic opportunity. The distressed area subsequently must adjust to a lower level of economic activity. This, however, impacts on fewer and fewer people as outmigration continues.

## B. The Critique of the Role of the Market in Economic Development

Proponents of programs of regional economic development base their position on: 1) the social-welfare necessity of achieving some degree of equity in the distribution of income, 2) the argument that competitive and market forces fail to achieve efficiency in the distribution of resources and economic activity.

The critique of the viability of competitive market forces in generating economic efficiency is developed as follows:

1. Factors of production, particularly human resources, tend to be immobile and unresponsive to maket signals. The competitive market argument assumes that all resources are highly mobile, an assumption not validated in many distressed economies. Economic rationality is not always the primary motivation of people. Rather, they tend to be attached to particular geographical places, and the relatives, friends and cultures in these areas.

Existing evidence on the motivations of those who migrate tends to confirm the relative immobility of some segments of the population.

> . . . economic incentives seem to play the greatest role among groups in the labor force which have the strongest economic position —the well-educated, the middle-aged, and white-collar workers. The groups which are in a weaker position may move because of serious economic pressures (such as lack of work) or occasionally because the employer initiates a move. The more optional types of moves, directed primarily toward higher earnings or professional advancement are relatively infrequent among blue-collar workers, older people, and the less educated . . . .[4]

Given these mobility patterns, declining regional economies tend to lose their higher-income, skilled professional, white-collar and, to some extent, blue-collar components of the local labor force. Those who remain are the less skilled and less educated with lower incomes, and the aged and very young. Thus, the process of migration tends to deplete the distressed region of those persons who would compose the vital human capital resources upon which renewed economic development efforts would need to be based. Those who remain are the least able to make economically productive contributions to local economic growth and development.

2. Permitting competitive market forces to influence or determine the geographical distribution of people, while failing to achieve an optimal allocation of resources, also results in a wide variety of serious external or social costs which do not work through the marketplace. The rapid population increases of large urban areas, fueled by the inflows of rural immigrants and the associated spectrum of urban problems, are the most well-recognized of these costs.

> . . . Private decisions about fertility and migration have combined to create what some view as "too many people in the wrong places"; selective movements of population, moreover, have separated racial and social groups, thereby reinforcing underlying cleavages in American society. The social costs of excess fertility, urban regional concentration, and local segregation are the prices American society pays for preserving individual choice in these matters.[5]

Advocates of programs of regional economic development argue these social costs are so great for the whole Nation that national regional growth and population distribution policies are necessary.

3. In an argument remarkably similar to that heard in inner cities of large metropolitan areas, supporters of regional development programs believe that rural distressed economies have been placed at a competitive disadvantage because of the concentration of social-overhead capital in larger cities and the lack thereof in many rural areas and smaller towns. Social-overhead capital such as transportation, energy, water and sewer facilities, and police and fire protection represent the infrastructure or base necessary to facilitate economic development. These services usually must be provided through public sector investment. Such services are provided more easily in cities where population is densely concentrated. This permits more economic provision of public infrastructure and a greater tax base to provide the necessary public revenues. Therefore, in order to offset this urban advantage, governmental programs to support the development of social-overhead capital in declining areas are necessary.

---

[4]Lansing and Mueller, *The Geographic Mobility of Labor*, (Ann Arbor: Survey Research Center, Institute for Social Research, 1967), p. 66.

[5]Peter Morrison, "Population Movements and the Shape of Growth," Sara Mills Maize, (ed.), *Population Distribution and Policy*, Volume V, Commission on Population Growth and the American Future, (Washington, D.C.: U.S. Government Printing Office, 1972), p. 287.

A closely related argument focuses on declining economic regions with an existing infrastructure of social capital. If changing technology, or demand patterns for resources or commodities initiated the economic decline, it is probable that one consequence will be a supply of social-overhead capital which is underutilized. This excess capacity, perhaps, can be used to support the development of other economic activities through regional economic development programs.

4. Finally, advocates argue that some types of industry and businesses could significantly reduce their costs of operation through location in small towns and rural areas. Historically, these were firms that were highly labor-intensive (employed a great deal of labor relative to capital equipment) or were dependent upon the supply of a primary resource input. More recently, as the strong centralizing locational forces of the city have declined, primarily because of new technology in production, transportation, and communications, more rural locations have become attractive because of climate and environmental amenities.

Proponents of rural economic development programs argue that, if sufficient information were made available to firms which might find nonmetropolitan locations more efficient, inmigration of industries to these localities might result. Complete information is one of the requirements for the efficient functioning of the competitive market. If information is lacking on profit opportunities in rural distressed areas, the competitive market will not achieve an optimal spatial distribution of economic activity.

## C. Policy Orientations: Low Incomes and Unemployment

The economic development of distressed rural areas is now a national policy objective. Yet many conceptual issues remain on how best to implement this goal.

The legislation mandating these development programs refers to the problems of low income and high unemployment. While these are obviously not unrelated, it is important to distinguish between the two problems. Their causes are different, and, therefore, effective strategies and policies to combat them will differ.

Low income is the classical problem of economic development in less developed economies and countries and stems from very low levels of productivity of labor. The productivity of labor is determined by skills and education levels (human capital), and the social and private capital available. Inadequate skills and capital equipment as well as the overabundance of labor in traditional industries such as agriculture and handicrafts depress the productivity of labor to a level at which the income derived from these activities is quite low.

High unemployment in distressed areas in the United States, on the other hand, is typically the result of technological innovations, which make economical the substitution of capital equipment for labor as occurred in agriculture, or of changing demand patterns for products and resources, such as that experienced in the Appalachian coal industry.

This distinction, low income versus structural unemployment, permits a more refined examination of the desirability of unrestricted migration as an economic development policy. In a region characterized by high structural unemployment of an industrially skilled labor force, a policy of encouraging migration would be appropriate if these skills were in demand in another geographical area. Implementation of this policy would require that the factors creating immobility in the regional labor force be identified. In most cases, these would be: 1) lack of information on spatial job opportunities, 2) costs of moving, 3) unwillingness to leave a local culture and traditional way of life, and 4) proximity of relatives and friends.

Lack of job information can be addressed through programs of employment information systems which permit the unemployed in a declining regional economy to identify job opportunities in other geographical areas, and, perhaps, to obtain jobs before moving. The cost of moving as a cause of immobility can be approached through a program of financial relocation assistance to help defray these costs. In those cases in which jobs are obtained prior to the move, the new employer may subsidize the cost of the move.

Attachment to a particular culture and way of life as an underlying cause of immobility is a question which should not be approached only in the economic context. It is by no means clear that it is desirable to attempt to erode the hold of these traditional cultures. The social cost of these changes cannot be measured by economic indicators.

> . . . Conventional indicators cannot measure the poignancy of the dissolution of a traditional way of life, the sense of cultural loss, the disorienting effects of new attitudes toward land resources, and other social changes.[6]

Proximity to friends and relatives is another factor somewhat immune to programs to increase mobility. Survey data on reasons for moving indicate that almost eighteen percent do so in order to bring families and friends together. However, this effect is double-edged. There is a pull for those who have left the region in the past to return to be reunited with family and friends. This pull works against efforts to disperse population from declining local economies. On the other hand, there is a tendency for past migrants to attract friends and relatives to their new location through information on conditions and other economic opportunities. This pull draws people away from economically distressed areas.

The difficulties confronted in low-income areas, and, hence, alternative policy options, are different. The problem in these areas is one of the quality of human resources and their capacity to make a productive contribution. Possessing few skills and relatively little human capital, these are the people least able to gain employment and make satisfactory adjustment in other geographical areas. In this century in the United States, outmigrants from rural low-income areas have tended to relocate in the central cities of large metropolitan areas, joining the ranks of the unemployed or marginally employed. The transition from rural cultures to those of large cities has exacted a high cost in terms of human welfare and urban problems.

Thus, policies to encourage outmigration in low-income areas are questionable. The problem is one of upgrading the quality of the human resources of these distressed regions. Effective policies could be directed at education and training to provide skills and general upgrading of human capital. This might be accomplished through types of vocational education and job-training programs for residents of the region. These programs also would be appropriate in declining areas with high structural unemployment where demand shift and/or technological changes have made existing skills obsolete, e.g., reduced the demand for these skills throughout the economy as a whole. Subsequent to retraining or acquisition of productive skills, programs to relocate these individuals into growing economies become feasible.

However, if the national policy is to initiate economic development of distressed or declining economic areas, rather than encourage the movement of people from them into more economically prosperous regions, the focus of economic development programs must be to create employment opportunities within the region. Therefore, job training and skills programs must be accompanied by efforts to build supporting infrastructure and attract new industry into the regions.

## D. Place Prosperity Versus People Prosperity

The controversy over whether programs to alleviate rural poverty and unemployment should focus on the economic development or the encouragement of migration to more prosperous regions has been characterized as "place prosperity versus people prosperity." In general, in economic terms alone, net economic welfare is probably greater when people are redistributed to jobs in more prosperous regions where their services are in demand rather than relocating in jobs in distressed areas by attempting, in some manner, to offset the region's competitive cost disadvantage.

---

[6]Peter Morrison et al., "Review of Federal Programs to Alleviate Rural Deprivation," (Santa Monica, California: The Rand Corporation, 1974), p. 2.

Only under special circumstances could a strong case be made that programs for "place prosperity" would make a greater contribution to productivity and aggregate economic growth.

1. Large amounts of underutilized social overhead exists in a region where growth could be achieved, rather than in other regions with fully utilized infrastructure.

2. Large amounts of underutilized private capital in the form of plant and equipment exists which could be put back into production at lower costs than in other regions.

3. Other local factors of production, such as currently underutilized natural resources, could be developed in the region more efficiently than in other regions.

4. Large amounts of low-income, underemployed or unemployed labor exists which is unlikely to migrate to more prosperous regions.

5. The injection of Federal aid could reduce the outflow of young people who would prefer to remain in the region, and could prevent deterioration in the amount and quality of public services needed to keep the region viable and competitive.

6. The injections of modest amounts of Federal aid could assist a region to achieve a rate and scale of growth otherwise not attainable, which would then permit the region to achieve self-sustained growth.

The first three circumstances are those in which spatial economic inefficiencies exist due to unexploited profit opportunities in economically distressed areas. This might occur because of barriers to industrial entry, such as lack of information. In these special cases, aggregate economic welfare would be maximized through efforts to provide employment opportunities within the region.

The fourth and fifth circumstances represent cases in which personal preferences prevail over economic motivations. It can be argued that unemployment and low incomes are the costs of these choices. Given these choices which result in regional immobility of labor, are the goals of productivity and economic growth served by permitting the underutilization of these labor resources or attempting to move jobs to the region? The answer to this question would depend upon the national unemployment level and the skills of the regional labor force.

In periods of unemployment, when the demand for labor is low relative to supply, the economic case for job relocation programs is weak. In periods of relatively full employment, in which the labor force is more fully utilized, a stronger argument can be sustained for attempting to bring jobs to areas with relatively scarce labor resources. If the market is functioning with a reasonable degree of efficiency, industry would tend to be attracted to these relatively low-cost labor resources, given sufficient time to make the necessary adjustments. Again, however, those who do not migrate will be the older and less skilled—those who tend to be less productive in their contribution to the economy.

## E. Equity Versus Efficiency

A second qualification to the economic maximization through migration argument is the question of the impact on the distribution of income. Social policy must be concerned with the overall distribution of income as well as aggregate or national income. The social goal of achieving some degree of equity in the distribution of income must be weighed against that of economic efficiency. It is possible that a given change, while increasing the NNP (Net National Product), could worsen the distribution of income—i.e., cause lower-income groups to become worse off relative to middle- and upper-income groups, thus further skewing the distribution of income.

This might have two results. First, given that those who migrate tend to be the more skilled and higher-educated components of the regional labor force upon whom local economic activities must be based, the outmigration of this human capital may precipitate a further decline in the economic welfare of the region and the incomes of those who remain. If those who migrated were not un-

[1] These circumstances are itemized in John H. Cumberland, *Regional Development Experiences and Prospects in the United States of America*, (Paris: Mouton & Co., 1971), p.12.

employed before the move, certainly the regional income flows and, perhaps, the local income multipliers would be decreased. If the net reduction in the incomes and economic welfare of those who remained were greater than the net increase in incomes of those who moved, there would be an absolute decrease in aggregate economic welfare. Even if the overall result of the migration was a net increase in economic welfare, with those who remained losing and those who moved gaining, the distribution of income has become more skewed in favor of medium- and high-income groupings. This unfavorable redistribution of income would constitute an argument in favor of programs for "place prosperity."

This situation provides a case of rather clear trade offs between two goals of social policy—overall economic growth and income redistribution—that is, is it worthwhile sacrificing a given increase in the NNP in order to decrease income disparities in the United States?

The second negative impact of migration policies on the distribution of income might result as follows. If the skill levels of the regional labor force could be upgraded through education and training programs, diminishing the competitive disadvantage of the region, industry might be attracted into the area to take advantage of this labor resource. If industry did so because the relocation permitted a net reduction in costs of operation, aggregate economic welfare would be increased. The economic trade off in this case would be between the costs of the training programs and the increase in the NNP.

If the area remained at a competitive disadvantage despite the upgrading of the labor resources, the region could be further subsidized by the construction of an infrastructure and/or the payment of direct subsidies or tax breaks to attract firms. In this case, firms are being pulled from more efficient location sites by offsetting higher costs of operation in the distressed area. The net effect of this must be to decrease aggregate economic welfare and, perhaps, to improve the distribution of income. Again, the trade off is between a lower level of the NNP and an improvement in the distribution of income.

The evaluation of these trade offs is difficult. Minimally, it involves the identification of all appropriate costs and benefits of the alternatives. One cost frequently overlooked in the "people prosperity" argument is the cost of transfer payments to those who remain in the declining or distressed area through unemployment assistance and welfare programs. A second, impossible to quantify in dollar terms, is the social cost of human misery and lost resources which are perpetuated in these regions.

## F. The "Worst First" Controversy

A related issue involving trade offs between "equity" and "efficiency" pertains to the priorities for regional economic development. Given an array of depressed economic areas in the United States and limited funds to undertake development programs, should program efforts be focused on regions of greatest poverty and unemployment or those which have the greatest potential to become economically self-sustaining with appropriate Federal assistance?

The social goal of equity in improving distribution of income would argue for concentrating existing development resources on regions exhibiting the most severe economic circumstances. However, these are also the areas which have the least potential for economic development because of the quality of the labor force, resource base, and infrastructure.

The alternative is to focus assistance on those relatively less distressed regions in which the economic returns per dollar of Federal development expenditures is the greatest and which are most likely to become mature and self-sustaining regional economies. The social goal of efficiency would dictate that this is the appropriate policy focus.

Again, the controversy reflects a clash in competing social objectives, and is unlikely to be resolved because of the importance of each goal.

One principle which might be brought to bear is that of "triage," a military concept for the distribution of emergency medical care on the battlefield. Given the number of wounded, who should receive priority in emergency medical care: a) those who will not survive regardless of medical care

administered (the fatally wounded), b) those who will survive even without emergency care (the walking wounded), or c) those who will survive if they receive emergency medical care?

The procedure for applying this concept to economically distressed areas would be to separate the regions into three categories:

a) Those which probably could not go through a process of economic development to become self-sustaining, even with a significant transfusion of development assistance. These would be distressed economies facing overwhelming competitive disadvantages.

b) Those regional economies which probably will become self-sustaining in time without development assistance. These would be regions whose comparative disadvantage will be offset through decreasing costs of resources relative to other regions and the internal development of infrastructure. Clearly, this autonomous transformation process will not be painless, and will be slower than if accelerated by Federal development efforts.

c) The final category would be those distressed regional economies which are unlikely to experience autonomous economic development but possess a development potential which might be realized through programs of development assistance. These will be regions that possess a moderate competitive disadvantage which might be offset through federally assisted programs of education, manpower training and infrastructure development.

Under a "triage" policy, economic development funds and efforts would be focused on this latter category. The first category, regions possessing little potential for development, would be the appropriate focus for transfer payment programs, unemployment and welfare assistance, and ongoing efforts to encourage outmigration from the region.

While conceptually identifying these categories is not difficult and has a defensible economic rationale, the difficulty of implementing such a policy should not be minimized. The criteria to evaluate the development potential of regions are not well-established or generally agreed upon. In addition, political considerations might override an effort to establish a policy of this nature.

# IV. THE GOALS OF ECONOMIC DEVELOPMENT

Questions of "economic growth" and "economic development" commonly are discussed without a careful understanding of the terms. "Development" should be distinguished from "growth." The failure to make this distinction leads to unnecessary confusion and misunderstanding.[8]

"Economic growth" refers to increases in the total value of goods and services produced (Net Regional Product) and the aggregate income generated within a region. Associated with growth are increases in employment and population. "Economic development," on the other hand, refers to increases in the quality of life and standard of living sustained by the residents of a region. This concept is concerned with the welfare of the individual within the area.

The relationship between "development" and "growth" depends upon the goal priorities for economic development or the criteria chosen to measure development. For example, the most direct and frequently used measure of economic development is the change in per capita income, derived by dividing the change in aggregate income by the local population. If the rate of economic growth is greater than the rate of population increase, development, measured by increases in per capita incomes, occurs. However, if population increases at the same rate, or outstrips the rate of increase in aggregate income, the region experiences growth, but not economic development. Conversely, if the population decreases, development can occur without growth.

## A. Measuring Development on a Multifaceted Scale

Economic development, defined as the quality of life and standard of living experienced in a region, is a broader concept than that measured by the single dimension of per capita income. Other dimensions must be added to provide a meaningful indicator of development. Policymakers seeking to facilitate economic development should establish criteria or goals by which conditions and progress can be evaluated. The designation of the development goals and criteria should be the product of explicit policy choices and priorities. Possible components of a multifaceted scale to gauge economic development are:

1. Efficiency and the rate of economic growth: An economy based upon an open market system places a premium on efficiency in the distribution and employment of resources. It does so regardless of any attendant or associated nonmarket or external social costs, or market costs which are so long term in nature, and uncertain, that they cannot be appropriately incorporated or discounted in the competitive calculus of the market. The achievement of efficiency insures that existing resources are employed in those economic activities in which their return or productivity is the greatest. It might be argued that attempting to insure efficiency which maximizes the rate of economic growth, should be "the goal" of economic development, and that, in the long run (through some sort of "trickle down" effect), this is a more effective way of alleviating social problems such as poverty. If this approach is an explicit regional policy choice, "growth and development" are synonymous.

2. Per capita income: While insufficient as a single measure of economic development, per capita income is important as an indicator of the relationship between the performance of a regional economy and its population. The population response in terms of births and in-and outmigration to variations in growth rates is critical to the welfare of a local economy.

[8]For a similar discussion see: Michael E. Conroy, *The Challenge of Urban Economic Development: An Evaluation of Policy Related Goals for the Economic Structure of Cities*, (Austin, Texas: The University of Texas Center For Economic Development, 1974), pp. 1-2.

3. Equity and income distribution: Per capita income as a development measure indicates very little about the actual distribution of income among the population of a region. It is possible that a region might experience economic growth with increasing per capita incomes, but with the actual distribution of income becoming increasingly skewed, i.e., the lower-income population becoming relatively worse off. The distribution of the income generated by a region's economy will affect the standard of living achieved by its residents. The goal of equity is related to the fairness of the income distribution and the desired material standard of living. What is considered to be a "fair" or "desirable" minimum standard of living must be established as a policy choice and designated as a development goal.

4. Stability of income and employment: The national economy is subject to periodic fluctuation in the level of business activity which is transmitted to subnational economies. In addition to national business cycles, regional economies undergo longer term fluctuations as the importance of local industries in the national economy expands or declines. The minimization of these cyclical and secular fluctuations with their consequent instability of incomes and employment is a possible regional economic development objective.

5. Environmental quality: An open market economy will insure only that enviornmental resources are utilized in the most economical or efficient manner. It will not provide for the qualitiative and social consumption uses of these resources. Therefore, air and water quality, open space, protection of scenic and nonappropriable recreational resources, land use controls, and noise and waste control must be provided for through public policy if they are not to be eroded in the growth process. The improvement, maintenance, and protection of environmental resources is receiving increasing recognition as a development goal.

6. Public services access: The quantity and quality of public services affect the standard of living realized by the residents of a region. Therefore, the adequate provision of these services is an important development goal. Included in these services are access to medical care, education, safety and security, and effective and responsive public management and finance. The growth of the public sector is dependent upon growth of the private sector for revenues. In turn, the quantity and quality of public services supports the growth and development of the private economy.

## B. Balanced Growth

The concept of "balanced growth" has gained currency in recent years in Federal legislation and policy. Yet, there is no clear definition of the term.[9] It was used in the Public Works and Economic Development Act of 1965 to imply some sort of balance in economic development between urban and rural regions, and between the lagging and more prosperous areas of the United States. In the Environmental Protection Act, it is used in reference to balanced use and protection of the physical environment. Both of these usages (as well as the economic and social disparities between cities and their suburbs) are incorporated in the Housing and Community Development Act.

The concept of "balanced growth" is important in drawing the distinction between "growth" and "development." Economic growth does not imply any sort of qualitative control or enhancement balance, or distribution in its outcome. Rather, it is specifically quantitative without reference to qualitative considerations. Advocacy of "growth" per se increasingly has come under attack as a shortsighted policy perspective.

Perceptive regional policy requires some concept such as "balanced growth." The use of the term "balanced" as a modifier for "growth" corresponds to the concept of development established here. "Balanced growth" or "development" is not an ubiquitous term for all regions. The components of a balanced development policy for a particular region must be established by policymakers on the basis of those aspects of development which are to receive priority in that region. The result of this

[9]Ralph Widner, "Balanced Growth for the Northeast: Is It Possible?," in *Balanced Growth for the Northeast: Proceedings of a Conference of Legislative Leaders on the Future of the Northeast*, December 11-13, 1975, pp. 85-89.

prioritizing process is a set of development goals, with appropriate weights to reflect priorities, which can be utilized to measure changes in the quality of life and standard of living of a region's citizenry.

The Office of Management and Budget has attempted to define quality of life objectives.

> Good health and long life, freedom from crime and the fear of crime, sufficient education to take part in society and make the most of one's abilities, the ability to work at a job that is satisfying and rewarding, income to cover the necessities of life with opportunities for improving one's income, housing that is comfortable within a congenial environment, and time and opportunity for discretionary activities.[10]

This statement establishes a concept of "balance" which is comprehensive and general without designating priorities. A regional development policy designed to facilitate development, as well as provide criteria for its measurement, needs to be specific and establish weightings among objectives which would reflect explicit policy choices and a recognition that there are "trade offs" among objectives.

The idea of "trade offs" argues that all development objectives are not mutually compatible, and to emphasize one may mean that others cannot be achieved simultaneously. An obvious example is per capita income. It might well be that a policy establishing increases in per capita income as a priority would mean that the goals of equity, stability and environmental quality would receive less emphasis or would be suboptimized. The latter goals would be "traded off" against the former.

---

[10]Environmental Protection Agency, *The Quality of Life Concept: A Potential New Tool for Decision Makers*, (U.S. Government Printing Office, Washington, D.C.: March 1973).

# V. THE CHANGING CONTEXT OF RURAL ECONOMIC DEVELOPMENT

The United States is overwhelmingly urban in both residence and culture. Almost three-fourths of the Nation's population now lives in metropolitan areas. The continuous emptying out of rural areas in response to the pull of social and economic opportunities in urban centers and the push from deteriorating nonmetropolitan economic conditions have resulted in a concentration of 72.8 percent of the population living in 14.0 percent of the Nation's land area. Extrapolation from these trends has led to predictions that urbanization may be only in its incipient phases, its ultimate consequence being an interlocking chain of extensive urban complexes, or "megalopolis."[11]

Yet the decade of the Seventies seems to portend something different. Society and the economy are changed structurally and qualitatively from those conditions which generated the dominant trends observed throughout this century. Selective evidence in support of this assertion can be cited.

1. The Nation's birth rate has decreased significantly with the major changes occurring in metropolitan areas.

> . . . The decline of the birthrate since 1970 has basically occurred in the most metropolitan part of the country. In the 3 1/4 years after April 1970 . . .births numbered 5.2 percent less than for the previous 3 1/4 years in the Northeast (including Delaware, Maryland and the District of Columbia), the North Central and Pacific States. On the other hand, in the South and Mountain divisions of the West, they actually increased by 3.5 percent in the post 1970 period over the prior period. Although nonmetro residents are a minority in both these two superregions, they comprise twice the proportion in the South and Mountain West than they do in the North and Pacific West (40 percent versus 20 percent). It is highly unlikely that this contrasting pattern in the number of births could occur without being substantially associated with the large difference in proportion of nonmetro population. It appears that the difference between average levels of metro and nonmetro fertility rates has somewhat widened since 1970, after three decades of convergence.[12]

2. The rural to urban redistribution of population has ceased and, in some degree, has been reversed. The rate of population growth of rural areas (5.6 percent from 1970-74) is now greater than that for both the Nation as a whole (4.0 percent) and metropolitan areas (3.4 percent). While metropolitan areas continue to grow, natural increases (births minus deaths) and foreign inmigration explain an increasing proportion of the change relative to migration from rural areas.

3. Counties adjacent to metropolitan areas that lost population in the preceding decade experienced a 6.2 percent increase between 1970 and 1974. This reflects ongoing suburbanization and should be viewed as urban growth. Adding these changes in adjacent counties, the rate of urban population increased to 3.8 percent, still less than the 4.9 percent growth rate of nonadjacent rural counties.

4. The impact of nonmetropolitan but urban-related growth is not contained within immediately adjacent counties. As an example, Washington, D.C. has been described as a superregion of second homes, metropolitan-related subdivision activity, and weekend commutation around Washington and Baltimore, a combined metropolitan area consisting of 70 counties in five States. This phenomenon is occurring around almost all SMSA's.

[11] Jean Gottman, *Megalopolis: The Urbanized Northeastern Seaboard of the United States*, (New York: Twentieth Century Fund, 1961).

[12] Calvin L. Beale, "The Revival of Population Growth in Nonmetropolitan America," EAS-605, Economic Research Service, U.S. Department of Agriculture, June 1975, pp. 13-14.

**Table 4.—POPULATION CHANGE BY RESIDENCE***

| Residence | Population (in thousands) | | | Percent change | | | Distribution by residence | | Change | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1970 | 1973 | 1974 | 1970-73 | 1970-74 | 1973-74 | 1970 | 1974 | 1970-74[3] | 1973-74[3] |
| Total | 203,301 | 209,851 | 211,392 | 3.2 | 4.0 | 0.7 | 100% | 100% | 100% | 100% |
| Nonmetro | 54,299 | 56,599 | 57,324 | 4.2 | 5.6 | 1.3 | 26.7 | 27.1 | 35.1 | 47.0 |
| Adjacent counties[1] | 27,846 | 29,165 | 29,578 | 4.7 | 6.2 | 1.4 | 13.7 | 14.0 | 20.1 | 26.8 |
| Nonadjacent counties | 26,452 | 27,434 | 27,746 | 3.7 | 4.9 | 1.1 | 13.0 | 13.1 | 15.0 | 20.2 |
| Metro[2] | 149,002 | 153,252 | 154,068 | 2.9 | 3.4 | 0.5 | 73.3 | 72.9 | 64.9 | 53.0 |
| Metro plus adjacent counties | 176,848 | 182,417 | 183,646 | 3.1 | 3.8 | 0.7 | 87.0 | 86.9 | 85.0 | 79.8 |

[1]Nonmetropolitan counties adjacent to SMSA's.
[2]Metropolitan status as of 1974.
[3]Percent of increase in populations in each residence category.
*Source: Current Population Reports*, Federal -State Cooperative Program for Population Estimates, Series P-26, U.S. Bureau of the Census (A few States were published in Series P-25.)
*Compiled by Population Studies Group, Economic Research Service, U.S. Department of Agriculture.

5. Urban areas have begun to lose population through net outmigration. In the early Seventies (1970-74), cities experienced a net loss of 1.8 million people. This outmigration involved primarily the eight very large urban areas of over three million. As a whole, these eight cities experienced a net outmigration of 1.2 percent. Similarly, metropolitan areas of over one million experienced outmigration of 0.3 percent.

> Overall, one-tenth of the Nation's 265 Standard Metropolitan Statistical Areas are now losing population, and one out of every four Americans in a metropolitan area resides in a declining one.[13]

6. A redistribution of employment opportunities from urban to rural areas is under way after decades of centralization of economic opportunities. Between 1970 and 1975, rural employment increased 13.1 percent, compared to a 7.0 percent increase in metropolitan areas. The only category in which the metropolitan increase was greater than the nonmetropolitan was government services. The ruralization of industry may portend even greater migration to nonmetropolitan areas from the Nation's cities.

7. The Northeast, historically ascendent in industry, commerce, and services, is experiencing economic decline. The trend began in the 1920's with a redistribution of manufacturing from the Northeast to the South and West. In the 1960's, employment in all industries other than farming increased at a greater rate in the South and West than in the Northeast and North Central regions.[14] This relative decline of the Northeast, is, in all probability, a precursor of serious economic problems for the region and a continuing regional redistribution of economic importance.

8. Finally, the Nation has experienced a dramatic change in the performance of the economy. Since the beginning of World War II, with cyclical interruptions, the growth and vitality of the economy has insured a relatively low level of unemployment and the continuous erosion of poverty. The unemployment rate averaged 4.7 percent from 1947 through 1973. The 1973 economic downturn, the most serious since the Great Depression, created high levels of unemployment. The ensuing recovery has not been sufficient to fully employ the existing labor force. Almost all estimates project a minimum unemployment rate of 7 percent for the remainder of this decade.

These changes in trends and conditions previously assumed to be long term have important implications for the future demographic and economic profile of the United States. The revival of population growth in rural areas, small towns and medium-sized cities, and the decline of population

[13]Peter Morrison, *A Proposed Study of Local Public Services Adaptations to the Halt in Population Growth*, The Rand Corporation, September 1975.
[14]One exception is construction and mining in the West.

growth of the Nation's large metropolitan areas will force a rethinking of many public policy issues and programs relating to questions of economic development, both urban and rural, and the quality of life experienced in these contexts.

One important question is whether changing economic conditions, both the geographical distribution and access to an availability of economic opportunities, are forcing people to relocate to residential settings which differ from those they would choose in the absence of these constraints.

This does not appear to be the case. Even as the rural to urban population shifts were in progress, national surveys of residential preferences were revealing that the majority of people did not want to live in large cities; rather, they indicated preferences for nonurban residential settings. Not even a majority of those who actually lived in large cities preferred this residential setting. These findings lead to the conclusion that economic and other opportunities were drawing people from rural areas and retaining them in large cities even though this was not their most preferred place to live.

It appears that the more recent population movements reflect the preferences identified in these surveys, rather than geographical changes dictated by economic pressures.

Questions concerning the underlying causes of these movements remain to be answered. Certainly, one causal factor is the increasing geographical dispersion of industry and employment opportunities. However, it is unlikely that this explanation is sufficient. Important also are a variety of factors which can be grouped under the general rubric, "quality of life"; a) the deterioration of the cities, b) safety, c) environmental quality, d) environmental amenities, e) environmentally related recreational opportunities, f) climate, and g) cost of living.

Access to larger cities is also an important factor influencing the residential choices of those who move. The surveys of residential choices of those who move. The surveys of residential preferences determined that a majority of people wished to live in rural areas but with easy access to the social and economic opportunities of cities. This reflects a desire for the "quality of life" features of nonurban settings, but with the opportunity to take advantage of the social, cultural, and economic amenities of the city on a selective basis. In the recent urban to rural migration, the majority of those who leave the city relocate in counties adjacent to, or within a 30-mile radius of SMSA's.

This spatial reallocation of population and employment, in some degree unanticipated, is in progress in the present decade between a) geographical regions, b) urban and rural areas, and c) across city-size categories. Questions of both rural and urban economic development have typically been addressed in the context of the circumstances and trends witnessed in the post-World War II period. In some ways, these conditions or circumstances have become the "conventional wisdom" of development practitioners. Policy inevitably lags behind events. This creates the possibility that development policies, as currently administered, may be designed more for problems as they were, rather than as they are, or will be in the future. The context in which economic development questions must be addressed is changing. This will necessitate a rethinking of development policies in both urban and rural areas.